November 9, 2020

Consolidated Financial Statements

For the Second Quarter ended September 30, 2020

INNOTECH CORPORATION

Stock Listed: Tokyo Stock Exchange Section 1

Code No.: 9880

URL: https://www.innotech.co.jp/

Headquarters: 3-17-6, Shinyokohama, Kouhoku-ku, Yokohama-shi 222-8580 JAPAN

TEL: 81-45-474-9000

President and Representative Director: Toshihiko Ono

U.S. Accounting Principle: Not adopted

(Amounts below one million are rounded down)

1. Consolidated Financial Highlights for the Second Quarter ended September 30, 2020

(April 1, 2020 to September 30, 2020)

(1) Consolidated Operating Results (% represents the change from the same period in the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Second Quarter, FY2020	14,935	5.3	456	△ 26.3	599	△ 11.7	290	△ 31.9
Second Quarter, FY2019	14,186	4.3	619	△ 11.0	678	△ 30.7	427	△ 36.6

[Note] Comprehensive income Second Quarter, FY2020: 215 million yen (△47.1%) Second Quarter, FY2019: 406 million yen (△13.4%)

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share
	yen sen	yen sen
Second Quarter, FY2020	22.89	21.70
Second Quarter, FY2019	29.09	27.78

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
Second Quarter, FY2020	37,360	20,324	51.9
FY2019	34,967	20,418	55.5

[Reference] Net worth Second Quarter, FY2020: 19,408 million yen FY2019: 19,416 million yen

2. Dividend Payment Results and Outlook

	Annual dividend per share Total				
	As of Q1-end	As of Q2-end	As of Q3-end	As of Fiscal Year-end	Full Year
	yen sen	yen sen	yen sen	yen sen	yen sen
FY2019	–	20.00	–	20.00	40.00
FY2020	–	20.00			
FY2020 (outlook)			–	20.00	40.00

[Note] Revision made in the forecast dividend as of the end of the current quarter: None

3. Consolidated Business Outlook for FY2020 (April 1, 2020 to March 31, 2021)

(% represents the change from the same period in the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
FY2020	32,000	2.7	1,650	△ 1.2	1,800	△ 5.1	1,100	△ 5.9	86.51

[Note] Change made in figures of the consolidated business outlook as of the end of the current quarter from the previous announcement: None

Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during the second quarter : None
Newly — (Name of Company) — Exception — (Name of Company) —

(2) Application of peculiar methods for accounting procedures : None

(3) Changes in accounting procedures:
① Related to accounting standard revisions etc. : None
② Other changes : None
③ Changes in accounting estimates : None
④ Modified restatements : None

(4) Number of shares outstanding (common stock)
① Total outstanding shares including treasury shares as of:

September 30, 2020	13,700,000 shares	March 31, 2020	13,700,000 shares

② Outstanding treasury shares as of:

September 30, 2020	984,718 shares	March 31, 2020	997,418 shares

③ Average outstanding shares for the second quarter ended:

September 30, 2020	12,705,504 shares	September 30, 2019	14,691,298 shares

[Note] Information about quarterly review procedure execution:
This earnings release report is not subject to audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure of this report, the audit procedures for the financial statements are in progress.

[Note] Request for appropriate use of the business outlook and other special remarks:
The information provided in this documentation includes forward looking statements based on current expectations, forecasts or beliefs. Such forward looking statements include a number of preliminary assumptions about future events that are subject to factors and uncertainties that could cause actual results to differ materially from those described in the forward looking statements.

Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	6,335,546	6,588,628
Notes and accounts receivable - trade	7,392,265	6,821,936
Merchandise and finished goods	2,762,420	3,081,301
Work in process	568,944	895,217
Raw materials	543,471	824,366
Other	1,645,145	2,184,493
Allowance for doubtful accounts	△4,373	△4,776
Total current assets	19,243,419	20,391,168
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,250,949	8,440,740
Accumulated depreciation	△4,643,051	△4,743,021
Buildings and structures, net	3,607,898	3,697,719
Land	5,877,882	5,877,882
Other	2,639,034	2,888,215
Accumulated depreciation	△1,559,156	△1,756,028
Other, net	1,079,878	1,132,186
Total property, plant and equipment	10,565,659	10,707,789
Intangible assets		
Goodwill	567,864	1,504,948
Other	804,490	786,572
Total intangible assets	1,372,355	2,291,521
Investments and other assets		
Investment securities	2,013,424	2,053,716
Other	1,772,160	1,916,340
Allowance for doubtful accounts	—	△45
Total investments and other assets	3,785,585	3,970,010
Total non-current assets	15,723,600	16,969,321
Total assets	34,967,020	37,360,490

(Thousands of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,408,485	1,865,861
Short-term borrowings	2,773,200	3,749,421
Current portion of long-term borrowings	566,664	733,927
Income taxes payable	341,797	338,957
Advances received	2,020,905	4,100,014
Provision for bonuses	261,110	402,408
Provision for bonuses for directors (and other officers)	―	11,300
Other	1,748,794	1,355,413
Total current liabilities	10,120,957	12,557,304
Non-current liabilities		
Bonds payable	2,200,000	2,200,000
Long-term borrowings	1,391,674	1,390,000
Provision for retirement benefits for directors (and other officers)	139,762	128,072
Retirement benefit liability	235,127	249,352
Other	460,824	511,124
Total non-current liabilities	4,427,389	4,478,549
Total liabilities	14,548,347	17,035,853
Net assets		
Shareholders' equity		
Share capital	10,517,159	10,517,159
Capital surplus	4,506,361	4,504,362
Retained earnings	5,580,009	5,616,820
Treasury shares	△1,148,593	△1,133,968
Total shareholders' equity	19,454,937	19,504,374
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,235	12,619
Deferred gains or losses on hedges	△48,060	△38,523
Foreign currency translation adjustment	23,971	△45,227
Remeasurements of defined benefit plans	△30,779	△24,517
Total accumulated other comprehensive income	△38,633	△95,649
Share acquisition rights	277,867	277,699
Non-controlling interests	724,500	638,211
Total net assets	20,418,673	20,324,636
Total liabilities and net assets	34,967,020	37,360,490

Quarterly Consolidated Statements of Income

(Thousands of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	14,186,623	14,935,844
Cost of sales	9,774,071	10,437,415
Gross profit	4,412,551	4,498,428
Selling, general and administrative expenses	3,793,268	4,041,898
Operating profit	619,282	456,530
Non-operating income		
Rental income from real estate	229,150	238,797
Other	44,703	141,114
Total non-operating income	273,854	379,912
Non-operating expenses		
Rental expenses on real estate	156,780	169,063
Other	58,099	68,349
Total non-operating expenses	214,879	237,413
Ordinary profit	678,257	599,030
Extraordinary income		
Gain on reversal of share acquisition rights	168	－
Total extraordinary income	168	－
Profit before income taxes	678,425	599,030
Income taxes	215,284	312,286
Profit	463,141	286,743
Profit attributable to non-controlling interests	35,717	△4,118
Profit attributable to owners of parent	427,423	290,862

Quarterly Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	463,141	286,743
Other comprehensive income		
Valuation difference on available-for-sale securities	△9,481	△3,615
Deferred gains or losses on hedges	17,246	9,536
Foreign currency translation adjustment	△65,522	△83,625
Remeasurements of defined benefit plans, net of tax	1,455	6,261
Total other comprehensive income	△56,303	△71,443
Comprehensive income	406,838	215,300
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	370,959	233,846
Comprehensive income attributable to non-controlling interests	35,878	△18,545

Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	678,425	599,030
Depreciation	385,145	463,591
Amortization of goodwill	103,965	135,087
Increase (decrease) in allowance for doubtful accounts	4,103	449
Increase (decrease) in provision for bonuses	100,522	140,310
Increase (decrease) in retirement benefit liability	3,282	△22,769
Interest and dividend income	△6,671	△11,407
Loss (gain) on investments in investment partnerships	15,087	△65,789
Share of loss (profit) of entities accounted for using equity method	△3,930	1,489
Decrease (increase) in trade receivables	1,703,093	660,988
Decrease (increase) in inventories and advance payments	△794,292	△1,512,534
Increase (decrease) in trade payables	48,696	△570,524
Increase (decrease) in advances received	987,889	2,050,900
Other, net	△390,203	△540,260
Subtotal	2,835,113	1,328,560
Interest and dividends received	6,584	12,636
Interest paid	△5,658	△12,487
Income taxes (paid) refund	△430,084	△233,580
Net cash provided by (used in) operating activities	2,405,954	1,095,129
Cash flows from investing activities		
Payments into time deposits	△201,740	△36,840
Proceeds from withdrawal of time deposits	200,000	15,230
Purchase of property, plant and equipment	△237,752	△377,521
Purchase of intangible assets	△247,919	△140,865
Purchase of long-term prepaid expenses	△55,793	△23,145
Purchase of investment securities	△427,850	△60
Purchase of insurance funds	△53,844	△56,344
Proceeds from cancellation of insurance funds	16,543	19,747
Proceeds from distributions from investment partnerships	―	10,480
Purchase of shares of subsidiaries resulting in change in scope of consolidation	―	△790,553
Other, net	△12,474	△22,092
Net cash provided by (used in) investing activities	△1,020,831	△1,401,965
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	―	963,637
Proceeds from long-term borrowings	―	300,000
Repayments of long-term borrowings	△183,332	△439,911
Dividends paid	△264,606	△239,213
Dividends paid to non-controlling interests	△22,166	△21,450
Other, net	△454	18
Net cash provided by (used in) financing activities	△470,559	563,081
Effect of exchange rate change on cash and cash equivalents	△54,162	△23,057
Net increase (decrease) in cash and cash equivalents	860,401	233,188
Cash and cash equivalents at beginning of period	4,288,463	6,174,541
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	206,047	―
Cash and cash equivalents at end of period	5,354,912	6,407,729